Die, Billing Errors, Die: The Monster Finally Meets Its Match

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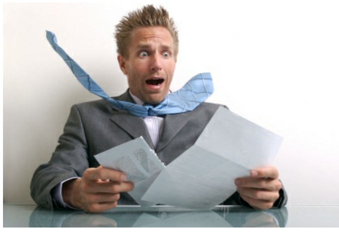

It's hardly a secret, but it's certainly something that service providers are increasingly reluctant to talk about. Billing errors have long been the bane of the industry, surviving assaults from technologies ranging from business intelligence to revenue assurance systems. They have persisted despite the disastrous effect of over-billing on customer relationships and brand perception, as well as repeated rounds of penalties from state and federal governments. Over-charging is a serious revenue and reputational issue; underbilling is a profitability and margin issue. You're dinged either way. But despite the high stakes and long battle, the errors still keep coming.

Communications and colocation services are hardly the only verticals plagued by this particularly damaging process failure. Among the large B2B enterprises I've worked with, I've found that between five and 30 percent of these companies are currently sending out invoices with at least one material error. The errors range in magnitude from four to 16 percent of the billed amount.

But few other industries show the same variability in commercial terms that's typical in the world of networks. Service providers struggle to manage a dizzying array of price ramps and incentives. You might decide to offer discounts on your standard tariffs in a contract, but is anybody checking to make sure that you're not still using the standard rate to calculate early termination charges? Or making sure that your discounts are no longer showing up in your billing after they've expired? With today's extended, multi-tier product lines, maintaining rigor around even basic billing functions—such as ensuring you're not charging customers for products they haven't ordered—can be challenging.

In many companies, massive pricing and discounting complexity is matched by system complexity, often the result of a long history of mergers and acquisitions. Billing systems and the other elements of the Business Support Systems (BSS) stack, such as customer relationship management systems and order management tools, don't always communicate well with each other—if at all. As a result, once an error takes hold, it's hard to eradicate. It can hang on for months, years, or forever.

Can service providers look forward to a future that won't include billing inaccuracies? My answer is an unqualified yes. A new approach that combines curated best practices and selective automation can finally eliminate the errors and seal the revenue leaks once and for all.

Four steps to billing accuracy

A systematic approach to solving the billing puzzle should follow these steps:

1. Construct a commercial relationship baseline. Improving billing accuracy starts with the fundamentals: ensuring that the customer is billed for the right product or service, at the right price, for the right locations and at the right time. But how do you know what is "right?" By constructing an accurate, comprehensive view of the current state of each commercial relationship. That means extracting and assembling information from all of the contractual documentation, such as master service agreements, orders, amendments, and statements of work, that define the relationship. Organize the data in order of precedence to determine the most current pricing and billing terms by product and site for each account. Ensure that the documentation covers all moves, adds, changes, and disconnects (MACDs), to guarantee that the most current view of all purchased products and services is available.

In the past, the only way to build this commercial baseline was a time-consuming brute force process, which was usually done in the context of specific audits that covered limited portions of the billing base. With advances in technology and innovations by service providers, companies can now leverage software and managed services to efficiently construct the commercial baseline across their entire customer base and keep it maintained to a very high degree of accuracy.

With this commercial relationship baseline in hand, you know exactly what you should be charging, and you know when pricing variables and other commercial terms come into effect and expire. It's a vital step that has often been missing from previous attempts to tackle billing inaccuracies. Once it's completed, the next steps are much easier to accomplish than might appear at first glance.

2. Audit and reconcile your billing data. Now you're ready to map the "actuals" —historical and/or current information from your provisioning and billing systems—to the commercial relationship baseline. With this mapping in place, you can reconcile these data sets to identify any discrepancies. Doing so enables you to identify cases where customers were under-billed and re-bill them to recover all or part of the loss or identify and credit customers who were over-billed.

3. Resolve exceptions. Ensure that your billing team has the tools they need to collaborate effectively with the various stakeholders to resolve any errors, apply needed changes, and generate an accurate, compliant bill every time. At many companies, gaining consensus on billing changes is often a manual and time-consuming process. Modern collaboration tools can help you establish clear criteria to prioritize exceptions and automate stakeholder interactions, eliminating the bottlenecks.

4. Track performance and implement lasting changes. Track the root causes of the billing issues you've identified and monitor trends over time so you can quickly cut off new errors at the source. Look for patterns in the data to help you prioritize enhancements to your existing processes or introduce new processes to prevent future inaccuracies. Institute an ongoing, systematic solution to manage MACDs and other customer account changes to ensure that your commercial relationship baseline is always kept up-to-date going forward.

Where to focus first?

This four-part methodology is a powerful tool to solve billing issues. How you apply it will depend on your goals. If improving the customer experience and ensuring compliance with customer entitlements is a critical objective, you might want to start with your largest, most complex, most sensitive global relationships. If your focus is more on preventing revenue leakage, your mid-market contracts might be the right choice. These relationships are often somewhat negotiated and complex, and they may not be receiving the attention and careful nurturing that's typical for your top accounts.

Whichever customer segment you choose to focus on, a concerted campaign to tackle billing inaccuracies will deliver significant benefits. It will help you ensure:

Billing compliance. You can trace each transaction and customer asset back to the commercial relationship baseline**.** You have full visibility into all relevant data points and commercial terms—product, service, fee type, price, volume, location and timing—for every relationship across your portfolio. For example, you can easily see where tiered pricing may be misapplied or there is an incorrect bundling of services. And your billing team always sees the latest contract terms.

Revenue assurance. Your account teams can identify all of the revenue you should be collecting, including economic levers such as CPI uplift, termination fees, and cost pass-throughs. You can identify contracted or provisioned products for which you are not billing, as well as deactivated and non-contracted products that you should stop supporting. You can eliminate unentitled incentives like expired rebates, discounts, and price holds, as well as discounts tied to revenue or usage commitments that have not been met.

Special pricing compliance. By finally understanding the true error rate in your portfolio, you can identify potential MFN violations and reduce error rates going forward. You ensure compliance with government E-Rate program/MFN ("best price") provisions and easily produce on-demand pricing compliance reports as needed. You can conduct audits on the fly with minimal effort and produce complete reports as requested.

These are compelling benefits; if they match your organization's goals and priorities, it's time to take action. Billing errors have threatened your organization's revenue and reputation for too long. The monster can be defeated—all it takes is the right weapon and strategy.